

Exhibit M

CONFIDENTIAL MEMORANDUM

**TO: ROSE PATTEN
ANDY PLEWS**

FROM: DKC

DATE: MAY 18, 2007

As promised, outlined herein is an evaluation of the media coverage to date as well as a straightforward proposed strategy for the next five days.

I. Coverage of the BMO Crisis Prior to Today

BMO has done an admirable job managing the media relations around this crisis. As a result, BMO has performed as well as could possibly be hoped given 1) the size - both real and historic - of the losses in the natural gas portfolio and 2) the subsequent determination that the losses were actually greater than initially reported.

Over the course of the last 10 days, the Canadian and American media has focused the majority of the attention on Optionable. We attribute this to several proactive steps Bill and senior management have taken over the last 10 days, specifically:

- The decision to suspend BMO's relationship with Optionable
- The suspension and subsequent termination of Lee and Moore
- Regular release of information / perception of transparency
- Off-the-record tactics

As predicted and with the cycle running its course, the media attention has now shifted to increased scrutiny of BMO's risk management practices. This is a vastly more precarious situation for Bill and for the immediate and middle-term reputation of the Bank. We feel the strategy of assigning blame to Optionable and containing the situation within the New York office has been effective to date; however there is a strong desire on the part of the Canadian press to understand the following:

- The Risk Management Failure:
 - How could a bank with such a longstanding reputation for balancing risk vs. reward have allowed itself to get involved so deeply with a brokerage company that at best was incompetent or negligent and at worst engaged in fraud?
 - Who oversees Lee and Moore and what is his/her/their culpability in this?
 - Did this risk management breakdown extend up to Bill's inner circle? Did failure reach into Bill's inner circle?

- Bill's plans now and moving forward:
 - Will anyone else be fired or reassigned as a result of this?
 - What protections are being put in place to ensure nothing like this happens again?
 - Has an assessment been made of other business lines to ensure there is not similar exposure?
 - What impact does this have on Bill's five-year plan? What does Bill plan to do in order to ensure nothing like this happens again?

II. Acute Concerns

We are concerned that Bill will be subject to aggressive questioning on the analyst call, specific to how the losses got so high and how no one picked up on, or acted upon the fact that BMO was using single-source valuations. We are also quite confident that the analysts will be expecting decisive action to address culpability as well as a clearly articulated plan to protect the portfolio moving forward.

Moreover, we feel it is only a matter of time before Moore and Lee become hostile defendants and begin leaking information directly to the press or to third parties such as analysts. Based on past experience, we believe it is likely that Lee and Moore will initially look to implicate senior management by claiming individuals higher up in the company were fine with their practices as long as the portfolio was making money.

Lastly, the restatement of the losses has created a perception of escalation/metastasis as well as a credibility problem.

III. Action Steps - Immediate

It is DKC's recommendation that the following steps be taken between now and Wednesday:

- **Announce clear, definitive action:** A very clear and concise plan for restructuring needs to be established and articulated on the analyst call.
- **Focus on positive earnings results:** It is very important that Bill and other participants on the call stress BMO's positive overall quarterly earnings.
- **Clarify the independent reviews and announce the intent to make serious leadership changes based on the results of these reviews:** The purpose of each independent review and/or accountability audit must be clearly defined on the analyst call. Specifically, each third party involved must be identified and the timetable for the conclusion of the review must be defined. **Of paramount importance is a statement by Bill – supported by press briefings by Andy and Paul – that he is prepared to remove and/or reassign any and all individuals determined to have been in any way negligent relating to the**

natural gas portfolio. *DKC has some recommendations on off-the-record tactics that could be used to strengthen this approach. We can share these via telephone or in person conversation.*

- **Redirect the spin by suing Optionable:** BMO must file or announce the intent to file suit against Optionable on Tuesday and immediately release this to the press. This will focus the media's attention back on Optionable as BMO heads into the analyst call, while positioning Bill as proactive.
- **Possibly conduct several strategic one-on-one interviews:** BMO should consider having Bill sit down on Wednesday afternoon with select members of the press, for 15-minute, one-on-one, in-person discussions. We must inoculate Bill against insinuation that he is either hiding or not being forthcoming. A few scripted on-on-ones might actually accomplish this. We do not expect these to result in unrealistically positive stories; however, putting Bill in front of a few reporters should communicate an openness, confidence and firmness in seeking to right the ship. Additionally, Bill should be looking to the future in these conversations, discussing not only this issue, but his five-year plan and how he expects to begin its implementation.

Please feel free to contact us with any questions. We look forward to seeing you Tuesday.

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